



TRICARE
MANAGEMENT
ACTIVITY

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
HEALTH AFFAIRS
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FALLS CHURCH, VIRGINIA 22041-3206

To all Beneficiaries of the Military Health System:

We face a serious challenge to the future of our military health benefit. We have experienced significant increases in the cost of healthcare; they have doubled in just five years and our analysts project steep increases over the next 10 years, to \$64 billion in 2015, which represents 12 percent of the projected Defense budget in that year.

Our health benefit ranks among the very best in the nation. We have comprehensive coverage that we continue to enhance; our access is unparalleled with a national network of more than 220,000 physicians, all U.S. hospitals, and 55,000 retail pharmacies that supplement our own military medical facilities. We have exceptional quality of care and our providers focus on the safety of their patients while striving to earn their patients' satisfaction. Together, we must sustain this benefit.

As we have implemented the many enhancements to TRICARE, individual's cost shares have essentially remained the same since 1995.¹ As a result, we pay a continually increasing percentage of our beneficiaries' health costs. In 1995, beneficiaries paid approximately 27 percent of their healthcare costs; today they pay only 12 percent.

These factors have led to civilian employers, and some state governments, to shift healthcare costs to DoD by encouraging their employees who are military retirees to use the very attractive TRICARE health benefit instead of their own health insurance options.

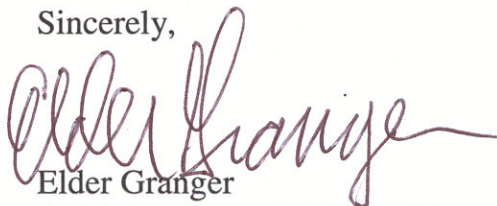
In addition to our benefit enhancements, increased use by more beneficiaries, and no cost share increases, we experience the same double-digit healthcare inflation as all health plans in the nation. We implemented a number of management initiatives designed to reduce the costs of delivery and to enhance performance within our health system, but these actions alone will not contain the escalating costs.

I assure you that the military and civilian leadership in this Department honor the great sacrifices that our Service members and their families make, especially in time of war. Their sacrifices remind us of the valuable contributions made by those who served in years past. We know that the health benefits enjoyed by all of our beneficiaries are richly deserved. We are committed to sustaining this world-class health system by

¹ Premiums for Federal Employees Health Benefit Plan (FEHBP) rose 115% from 1995 to 2005.

placing it on a sound fiscal foundation for the long-term. We believe that the changes in beneficiary cost shares will make this great program available for generations to come.

Sincerely,

A handwritten signature in dark ink, appearing to read "Elder Granger", with a long horizontal flourish extending to the right.

Elder Granger
Brigadier General, MC, USA
Deputy Director